Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at http://about.jstor.org/participate-jstor/individuals/early-journal-content.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

AN ANALYSIS OF AGRICULTURAL DISCONTENT IN THE UNITED STATES. II.

IV. The Significance of the Increase of Farm Mortgages and of Farm Tenants.

As introductory to this part of our study stands the fact that between 1880 and 1890 the amount of mortgage indebtedness upon acre tracts, in distinction from city lots, increased 71 per cent, or two and one-third times as fast as agricultural wealth.[1] What is the significance of this enormous increase? Is it consistent with permanent economic and social progress? A satisfactory answer to these questions involves an analysis of the increase, and of the burden of mortgage indebtedness.

1. *The increase of mortgage indebtedness.* — It must first be noted, in connection with this topic, that eighty-three per cent of the growing volume of mortgage debt, 1880–90, was incurred to enable debtors to buy lands, erect buildings and make other improvements, and that more than ninety-four per cent of it represents durable property.[2] The object for which this increasing indebtedness was incurred indicates that it was voluntarily assumed — that, in the judgment of those who subjected themselves to its burden, there was reasonable ground to expect success to attend their venture. The owners of capital who made the loans were evidently of the same opinion. Professor Gunton has rightly said:

> Debts, it is true, are often contracted to relieve personal distress, or to prevent a great loss of capital. . . . But this is not the chief function of debts. It occupies about the same relation to borrowing, as a whole, that auction sales do to the traffic of the merchants.[3]

[1] Abstract of Eleventh Census, p. 220.
[2] *Ibid.*, p. 214.
[3] *Public Opinion*, October 10, 1895, p. 458.

At the same time, the fact that the employment of credit is increasingly necessary on the part of those who are struggling for industrial independence, is indicative of an inequality in the distribution of wealth.

The psychological conditions that have promoted the vast extension in the use of credit in general, have played a part in the increase of mortgage debt. Of chief importance here is the tendency of the American people to discount the future in their calculations and undertakings. Past experience shows such phenomenal social and material prosperity that it is natural for them to be animated with a spirit of hopefulness. As a consequence, debts are incurred, risks are assumed and enterprises started with a courage born of confidence in the future. It is probable that this spirit of unexampled and undoubted faith in the industrial future of the country is largely responsible for the startling growth of mortgage indebtedness.

That such a spirit stimulates borrowing is a truism. During every panic and period of commercial depression mortgage debts are contracted with reluctance, while during times of business revival and prosperity they are incurred as a matter of course. When the atmosphere is filled with hope, when confidence is unbounded, when there is not a threatening cloud above the industrial horizon — then it is that men of enterprise willingly assume the obligations of mortgage debt, and that capital most cordially welcomes the borrower. In accordance with this theory, we should expect a large amount of mortgage indebtedness in countries where the future is brightest, where industrial development is yet in its youth and where there are many in the prime of life, full of expectancy, industrious and aspiring to build homes. On the contrary, where nature has been most miserly in bestowing her riches, where social and political conditions are unsettled and where there is a population whose lives have been full of disappointment and who are by nature pessimistic — there we should expect to find a small amount of mortgage indebtedness.

It is generally conceded, for example, that our Southern States have lacked industrial enterprise. Consequently, we

find that of the families occupying and owning farms in Kentucky but four per cent have encumbered properties ; in Georgia, Florida and Tennessee, three per cent; and in North Carolina, five per cent. Turning to some of the Northern States, we find the following percentages : Ohio, twenty-nine per cent ; Indiana, thirty-three per cent; Michigan, forty-nine per cent ; and New York, forty-four per cent. Likewise, it is generally recognized that during the decade covered by the last census, there was unusual enterprise and industrial activity in the Southern States, owing to the ingress of Northern energy and capital ; yet it was during that period that the increase of debt was 110 per cent in North Carolina, 313 per cent in Tennessee, 262 per cent in Georgia, and 559 per cent in Florida.[1]

Again, during the ten years ending with 1889, mortgage indebtedness increased much faster in the cities than in the country ; for the former the total was 217 per cent greater in 1889 than in 1880, while for the latter it was but 71 per cent greater. Yet during this period the cities offered larger industrial opportunities than the country, thousands of laborers acquired homes, building and loan associations multiplied and flourished, and urban wealth most rapidly increased.

That mortgage indebtedness has also greatly increased in the Western States is a fact known to all. In Kansas sixty per cent of the taxed acres are under mortgage ; in Iowa, forty-seven per cent ; in Nebraska, fifty-five per cent ; in Missouri, twenty-five per cent.[2] But wealth and social well-being have also multiplied. Probably no farming country in the world ever increased in wealth at an equal rate, or in so short a time attained those conditions that render life attractive and that minister to the intellectual, social and religious wants of man.

This line of thought has been forcibly summarized in the following language:

> The important truth concerning debts is, that the poorer and more purely agricultural portions of the country are not those where mortgage indebtedness on farms and homes is the greatest. Debts

[1] Abstract of Eleventh Census, pp. 217, 231.

[2] *Ibid.*, p. 218.

abound where there is wealth and industrial opportunity, and because there is industrial opportunity. New York State with 6,000,000 inhabitants, Pennsylvania with 5,000,000 and Illinois with 4,000,000 have each of them a larger mortgage indebtedness than all the Southern States taken together, with a population of 22,000,000 and over. The six states in which the indebtedness is above $100,000,000 contain only a third of the people of the United States, but their people have borrowed more than half the total amount loaned on mortgages.[1]

This same explanation of the increase of mortgage debt is set forth by the commissioner of labor of Minnesota:

The years 1869, 1870 and 1871 witnessed a great increase of mortgages placed on record against acre property. These were years of great farm prosperity, and lands were mortgaged to secure money to improve the same. . . . Farm disasters always lead to decreased mortgages on farm lands. . . . The wheat crop of 1877 was equal to that of 1875 in the state, although an almost total failure in certain counties. In the counties with a failure the growth of mortgage debt was checked, but the good prices for wheat and the constantly increasing wheat production of Minnesota led to a great increase in mortgage debt in the state as a whole. . . . Years of disaster in any given county are followed by decreased relative amounts of mortgages, showing that farm mortgages in Minnesota are the results or accompaniments of prosperity and not of disaster.[2]

2. *The burden of mortgage indebtedness upon farms.* — From the preceding analysis it is evident that the mere fact that mortgage indebtedness has increased furnishes no basis for inference as to the burden imposed. The determination of this question involves a study of the conditions under which loans were negotiated, as well as a study of mortgage foreclosures and of the liquidation of mortgage debt.

In the negotiation of loans upon farm lands, the factors usually considered are the probable future value of the farm and its estimated net income, with which interest charges and principal may be promptly met as they fall due. Whether the burden of mortgage indebtedness has decreased will obviously

[1] Professor Gunton, *Public Opinion*, October 10, 1895, p. 458.

[2] Report for 1893–94, pp. 405, 406.

depend upon the extent to which the borrower accurately anticipated the future in these two respects.

In Part III of this study attention was called to the depreciating influence of transportation upon the value of farm lands in a number of the older states of the North. It is likely that a large number who invested in farms during the past ten years did so without an adequate appreciation of the presence of such a movement. The price of land is not quickly sensitive to declining rental value, and begins to respond to depreciating influences only after they have been at work for some time. For this reason it is probable that many purchasers of farms subject to mortgage have been unaware of the presence of a deep undercurrent steadily tending to lower their value. Again, the fact that for decade after decade land values had constantly risen persuaded many that such a thing as its depreciation was not to be considered. Even after the depreciation of farm lands was fairly under headway, there were not wanting those who refused to believe that there was any adequate reason for such a decline — who maintained that the lower values were exceptional in character and that it was only a matter of a few years when prices would recover. Such considerations as these render it probable that in all Northern States east of the Mississippi, save Illinois and Wisconsin, the burden of mortgage debt is heavier upon farm lands. In that portion of the country, however, where land values have been rising, the "unearned increment" has tended to relieve the burden of mortgage debt. The increase in the value of land, from four dollars per acre in 1872–74 to twenty-five dollars in 1892, as shown in Mr. Bently's study of a Nebraska township, well illustrates this fact.[1]

The further question, whether the income of farm land now subject to mortgage has been maintained at the point which the borrower expected, is obviously of paramount importance. The proximate causes of any decline of farm income, other things being equal, are two, — lower prices for agricultural produce and crop failure.

[1] Johns Hopkins University Studies, 11th Series, pp. 321, 322.

In regard to prices, it is noteworthy that many of the products of the farm have in recent years most seriously declined. For example, the average farm price of wheat during the four years 1888–91 was eighty-two cents per bushel; while during the following four years, 1892–95, the price averaged but fifty-five cents, a decline of thirty-three per cent. That is, to pay off a debt of $1000 during the latter period would have required on the average about six hundred bushels more of wheat than during the former. The average aggregate farm value of the wheat crops during each of the four years of the first period was $393,000,000, while for each year of the latter period it was $249,000,000, a falling off of thirty-six per cent.[1] In 1895 nearly twice as many horses were required to pay interest or to discharge the principal of a debt as in 1891.[2] Moreover, the average price of middling cotton during the four years 1892–95 was twenty-six per cent less than during the preceding decade. The price of sheep and wool averaged fully thirty per cent less during 1894–95 than during the ten years preceding. Barley sold on the average for twenty per cent less during 1893–95 than during 1883–92. The prices of corn, potatoes and oats during 1895 were less than their average for the decade 1885–94. Of the principal farm products, cattle, hay and hogs were noteworthy exceptions, averaging higher in price during 1892–95 than for a decade.[3] The year 1896 (now three-fourths gone) promises a level of prices for farm products considerably lower than 1895.

This decline in the prices of farm products has not been offset by any corresponding decrease in the cost of production.

[1] United States Department of Agriculture, Crop Report, December, 1895, p. 6. The farm prices of wheat found in this report, and upon which all the comparisons made above are based, are simply the averages of December prices estimated yearly by the Agricultural Department. Nearly the same results, however, are obtained by using the yearly average prices of wheat at Cincinnati, as found in the Chamber of Commerce Report of that city for 1895. It is worthy of remark, also, that the price of wheat, during 1892–95, averaged twenty per cent less than during 1884–87, though the average during the latter period was less than the gold price for any preceding year since 1869.

[2] Statistical Abstract, 1894, p. 293.

[3] Cincinnati Chamber of Commerce Report, 1895, pp. 114, 150, 151, 173.

The four years 1892–95 were not marked by any revolution in agricultural methods. There were few farm implements employed in 1895 that were not generally in use in 1891; and even if their price during these four years underwent considerable reduction, the interval was too brief for implements already in use to be replaced to such advantage as to lessen materially the cost of production. East-bound freight rates between leading points did not appreciably decline. The cost of farm labor also diminished but slightly. Taxes for state purposes were steadily maintained, tending to increase rather than to diminish. It follows, consequently, that this fall in the prices of farm products has tightened the grip of mortgage debt upon the American farmer.

Even more destructive than falling prices to the labors of the energetic and aspiring husbandman is crop failure. This fact is best illustrated by conditions in portions of the Dakotas, Nebraska, Kansas, Oklahoma, the Indian Territory and Texas. In parts of Kansas and Nebraska agriculture has been in a marked degree subject to all the uncertainties of a capricious climate. As you cross the plains the rainfall steadily decreases,

> but no stakes can be set to warn the settler that thus far shall he go and no farther. . . . Some of the counties in Kansas lying within this belt have been populated and depopulated, in a measure, two or three times. One or two years of exceptional rainfall bring in a fresh throng of settlers to take the place of others who have given up the struggle; they in turn are impoverished by the dry years that are sure to follow, and abandon their farms.[1]

Concerning crop failure in recent years in Kansas, Governor Morrill of that state says:

> I think it probably true that land in some parts of our state has declined in value fifteen per cent since 1884. The western part of the state is subject to droughts. The rainfall there in nearly all seasons is below what is required to make a good crop. I know there was a great rush of people to that section of the country to take homesteads, and for a time land sold very readily. The failure of

[1] E. V. Smalley, *The Forum*, vol. xix, 1895, pp. 466–468.

crops for the past three years has caused a stampede from that section, and land is difficult to sell now at any price.[1]

The disaster thus entailed upon the agricultural interests of the drought-stricken portion of the state is reflected in a decrease of population.

In 1890 Kansas had 1,427,096 people. In 1895 the state census found only 1,334,668 within her borders. The counties in the eastern part of the state, which enjoy a sufficient rainfall for agriculture, exhibited gains, but in the western-central and western counties there was an absolute loss of about 200,000, — a greater number than is contained in the entire state of North Dakota. . . . The causes which produced the partial depopulation of the western part of Kansas were equally operative in western Nebraska [and in North and South Dakota].[2]

The economic history of wheat production in Minnesota is also full of examples illustrating how crop failures act as income-destroyers, and as promoters of the burden of mortgage indebtedness.[3]

All classes of farmers, however, are not equally injured by such unanticipated occurrences. The differences have been clearly indicated by the labor commissioner of Minnesota.

In an old and well-settled and prosperous farming community these disasters or misfortunes in modern times bring with them no dire results. The average farmer has sufficient wealth of his own, available resources of various kinds, or the facilities for credit to carry himself and family through the evil days and into the ever-returning periods of good crops, fair prices and returning prosperity. This is not the case with new farmers with small resources in a new country. . . . They cannot command sufficient credit to carry them to the better times, and their farms are sold by mortgage foreclosure. [Consequently] in a new country . . . farm failures become very numerous after every general loss of crops due to any cause and also after every period of depreciated prices for farm products.[4]

1 Private letter to the author, dated October 3, 1895.

2 E. V. Smalley, *The Forum*, June, 1896, p. 489.

3 Fourth Biennial Report of Minnesota Labor Bureau, 1893–94, pp. 493, 494.

4 *Ibid.*, pp. 460, 461.

With this view of the conditions under which the loans were secured, let us turn to a study of mortgage foreclosures and the liquidation of mortgage debts.

Probably there are no more accurate measures of the burden of mortgage indebtedness than the relative frequency of foreclosures and the progress made in the liquidation of the debts. The data at hand permit the consideration of mortgage foreclosures in New Jersey, Illinois and Minnesota, the liquidation of farm mortgages in Michigan, and the relative rates at which mortgage debts upon acre tracts and city lots were liquidated during the ten years ending with 1889 throughout the various states of the Union.

It is the general impression that the number of failures is relatively less in farming than in other gainful pursuits. In New Jersey, however, for almost a decade the average yearly number of foreclosure executions upon farms somewhat exceeded the number of mercantile failures in that state reported by *Bradstreet's*.[1] The reluctance with which capital is advanced upon farm lands also indicates the unfavorable agricultural conditions existing in New Jersey.[2] It is, moreover, reasonable to suppose that all of the states whose farm lands declined in value have suffered some of the disadvantages of mortgage debt that are illustrated by New Jersey. It is of interest to note that in nearly all such states the number of mortgages given yearly throughout the last decade, upon lands used for farm purposes, did not increase, and in some instances actually decreased. In a considerable number of them, when due allowance is made for the number of acre tracts subject to mortgage and held for speculative purposes within city limits, there was a noticeable decrease in the mortgage indebtedness incurred upon lands used for farm purposes. This fact of itself probably indicates that the chances of agricultural success, in states whose lands have declined in value, have been such as to give little encouragement either to the borrower or to the lender of money upon farm lands.

[1] Report of New Jersey Labor Bureau, 1889, pp. 324, 325.
[2] *Ibid.*, pp. 327–329.

In Illinois, in 1886 and 1888, the rate of mortgage foreclosures upon lots was somewhat less than upon acres.[1]

In Minnesota, owing mainly to the introduction of diversified farming, the farmer was better off in respect to foreclosures during 1892–93 than at any previous time in the history of the state.[2] Moreover, in 1893 the rate of mortgage foreclosure upon acre property used for farm purposes was less than upon city lots or acre tracts held for speculative purposes in the vicinity of cities.[3] To what extent Minnesota, in regard to mortgage foreclosures, is representative of other trans-Mississippi states whose lands are rising in value, it is impossible to say with any great certainty. In states like Iowa and Missouri, where both soil and climate are well adapted to agriculture, where the farm population is possessed of considerable accumulated resources and credit, and where a fairly well-diversified system of crop production exists, it is fair to infer that mortgage foreclosures have not been unusually frequent. But in sections subject to prolonged and disastrous droughts, and having inhabitants possessed of meagre resources, such as western Kansas and Nebraska, mortgage foreclosures have beyond question registered a high degree of agricultural disaster in recent years.

Upon the liquidation of mortgage indebtedness in Michigan, the reports of the state bureau of labor for 1888 and 1893 throw some light. The report for the latter year[4] showed a slight decrease in the percentage of farms and of acres mortgaged, in the amount of mortgage debt and in the percentage of debt to the assessed value of farms encumbered, with a consequent falling off in the annual burden of interest of $471,581.

With regard to the relative rates at which the liquidation of mortgage debts upon acre tracts and city lots proceeded during the last decade, the following tables[5] are submitted:

[1] Eleventh Census, volume on Real-Estate Mortgages, p. 107.

[2] Fourth Biennial Report of Minnesota Labor Bureau, 1893–94, pp. 497–499.

[3] *Ibid.*, 481–483.

[4] Pp. 1, 177.

[5] Eleventh Census, volume on Real-Estate Mortgages, pp. 25, 87, 309. The above tables do not take into account the extent to which liquidation has taken

REAL-ESTATE MORTGAGES MADE IN UNITED STATES, 1880–89.

	NUMBER.	AMOUNT.
Total	9,517,000	$12,094,000,000
On acres	4,747,000	4,896,700,000
On lots	4,770,000	7,198,000,000

REAL-ESTATE MORTGAGES IN FORCE, JANUARY 1, 1890.

	NUMBER.	AMOUNT.
Total	4,777,000	$6,019,000,000
On acres	2,303,000	2,209,000,000
On lots	2,474,000	3,810,000,000

LIQUIDATION EFFECTED, 1880–89.

Estimated mortgage debt, January 1, 1890 . . .	$2,494,000,000
Mortgages executed since	12,094,000,000
Total	$14,588,000,000
In force, January 1, 1890	6,019,000,000
Amount liquidated . .	$8,569,000,000

These figures indicate that the rate of mortgage liquidation upon acre tracts was 54.89 per cent, and upon lots 47.06 per cent. The amount of mortgage debt resting upon acre tracts, however, gives one an exaggerated idea of the volume of debt carried by the farm lands of the nation. A considerable portion of such land is held for speculative purposes in the vicinity of cities, and cannot properly be considered as farm land in an investigation of the debt under which the agricultural interests of the country are laboring. Lands used for farm purposes and occupied by their owners were subject to an aggregate incumbrance, January 1, 1890, of $1,086,000,000. This debt rested upon 887,000 farm families, and represented 35.55 per cent of the value of the farm lands encumbered.[1] There is, of course, some mortgage debt upon farms not occupied by their owners and leased to tenants. The volume of such debt, how-

place by means of foreclosure executions. The information given in the census upon this subject has been already referred to in considering foreclosures in New Jersey, Illinois and Minnesota.

[1] Abstract of Eleventh Census, pp. 225, 232.

ever, is believed to be inconsiderable; and the well-being of a class able to live upon the rental of the farms they own need not excite the serious concern of the public.

Again, it should be borne in mind that the mortgage debt in force, January 1, 1890, was distributed within each state largely according to industrial strength. In such states as Iowa, Kansas and Nebraska, where agriculture is the principal industry, the greater part of the mortgage debt rests upon farm lands; in states having great manufacturing interests and large urban development, such as New York and Massachusetts, the debt upon homes is greatly in excess of that upon farms.[1] Owned and encumbered farms, however, were less heavily mortgaged than owned and encumbered homes, the former being mortgaged for 35.55 per cent of their value and the latter for 39.77 per cent.[2]

3. *The increase of farm tenants.* — The last United States census showed a marked increase, not only absolutely but relatively, in the number of farm tenants. In 1880, 30.93 per cent of the farm families hired their farms; in 1890, 34.17 per cent. During that decennial period there was in Ohio, Indiana and Illinois a loss of 22,300 owning farmers and a gain of 18,887 tenant farmers. In forty-seven states and territories the number of owning farmers increased 274,300, and the number of tenant farmers 349,100.[3]

In order to explain the presence and increase of farm tenancy, and to ascertain whether landlord and tenant classes are in process of evolution in the United States, it is necessary to analyze several features of tenancy.

[1] Abstract of Eleventh Census, p. 232. [2] *Ibid.*

[3] *Ibid.*, pp. 97, 225. The figures given above were obtained by assuming that the ratio of farm-owning families to farms cultivated by owners, and of farm-tenant families to farms cultivated by tenants, was the same in 1880 as in 1890. The only figures on farm tenantry in the census of 1890 that are directly comparable with the figures for 1880 are those giving the number of farms cultivated by owners and by tenants respectively. Comparison of these shows that in 1880 25.56 per cent of the farms were cultivated by tenants, and in 1890, 28.37 per cent. In forty-seven states and territories the number of farms cultivated by owners increased 285,422; the number cultivated by tenants, 270,312. In Ohio, Indiana and Illinois the number cultivated by owners decreased 22,394, and the number cultivated by tenants gained 15,729.

1. One factor of much influence in making the percentage of farm tenants in the United States so large is the industrial condition of the South. In the South Atlantic States forty-five per cent, and in the South Central States forty-eight per cent, of the total number of farm families are tenants; while the percentage in the North Atlantic group is twenty-one, in the Rocky Mountain and Pacific eighteen, and in the North Central twenty-six.[1] The existence of such a large class of tenant farmers in the Southern States cannot, however, in the light of industrial history be held to be an unfavorable symptom. Tenancy in these states simply marks the step from an industrial system based upon slavery to one of freedom.[2]

2. Especially significant in connection with the increase from 1880 to 1890 in the percentage of farm tenants is the fact that during those ten years 5,246,613 emigrants, or one-third of our total immigration from 1820 to 1890, came to our shores.[3] The average *per capita* wealth which this great invading army of unskilled workers brought with them was considerably less than $100.[4] Their meagre resources rendered it inevitable that so far as they found a place as agriculturists in our industrial organism, they should appear as farm laborers and tenants rather than as farm owners. The natural increase of our native and foreign-born population, at the rate of between a million and a million and a half a year during the last decade, has also tended to swell the number of farm tenants. Instances are exceptional where parents with several children in the family are able to provide each with a farm. In large families some of those who elect farming as a pursuit must therefore start either as hired hands or as farm tenants. In connection with the increase of population, the exhaustion of the desirable portion of the public domain and the prosperity of farm owners are pertinent facts. When government land was more abundant, there was but one step from the condition of a hired

[1] *Quarterly Journal of Economics*, October, 1895, p. 38.

[2] *Annals of the American Academy of Political and Social Science*, September, 1893, pp. 265–268.

[3] Quarterly Reports of the Bureau of Statistics, 1892–93, p. 399.

[4] *Ibid.*, p. 409.

laborer to farm ownership. Now, it is necessary first to become a tenant; and but for the fact that some farm owners have prospered sufficiently to be able to rent their farms, hired laborers, desirous of rising to tenancy, would have no industrial opportunity.

3. The increase in the relative number of farm tenants in some states is the result of agricultural disaster. President Fairchild of Kansas Agricultural College writes me as follows:

> There is always a considerable body of young men who first rent farms and afterward come to own them. In this state, however, some peculiar conditions have increased quite beyond the normal the number of tenants. The whole western third of the state was settled by a boom in farm lands. Multitudes of settlers took claims without means of their own, expecting to pay for the land from the immediate profits of farming. Multitudes of them mortgaged the land for improvements, and multitudes more expended the proceeds of mortgages in living. When it was found that the proceeds of farming in that part of the state were very uncertain, at best, the mortgages became due. And in many instances those who had been nominally owners remained upon the farms as tenants after foreclosure. These are but the natural effects in reaction from a tremendous boom.
>
> Another reason for apparent increase of tenants is found in the general hesitation to accept mortgages following immediately after the panic; which panic, you will remember, began in Kansas real estate long before it was felt in the general commercial world. Under ordinary circumstances, a thrifty young man can buy a farm with a very small cash payment. For the past seven years, with property declining, neither the buyer nor the owner will take the risks of such a trade.

With these various influences working for the development of a tenant class, few questions are of greater interest to the student of social relations than the ultimate destiny of the increasing number of farm tenants. Are they doomed to remain always in a state of relative industrial dependence, or will economic conditions permit them to rise to a higher industrial level?

Two considerations indicate that it is possible for farm tenants to become land owners. In the first place, the resis-

tance to be overcome in taking such a step is not very much greater than that encountered by the settlers who took up land on the public domain under the homestead laws. The necessary outlay of the early settler, in addition to the cost of transporting himself and his family to the West and of living during the year or perhaps two years which intervened before a regular crop could be raised, has been estimated at $1000.[1] The same amount of money will enable its possessor at the present time to become the owner of a farm fairly well improved in either the eastern or the western division of the Central States. Such a farm owner would enjoy better markets, and would not have to endure the long years of isolation, involving social, educational and religious deprivation, which it was the lot of the early settler to undergo. It is true, of course, that prices for the products of the farm have very much declined in recent years; but it is also true that farm land in many of the states referred to above can be had at prices twenty-five to fifty per cent lower than fifteen years ago.

In the second place, the percentage of farm tenants in the Northern states is frequently greatest where the soil is most fertile and the conditions most favorable to agricultural prosperity, and is often smallest where nature most scantily rewards the labors of the agriculturist. Thus, in Illinois thirty-seven per cent of the farm families hire their farms ; in Iowa, twenty-nine per cent ; and in Missouri, thirty-one per cent. In Massachusetts, however, but fifteen per cent of farm families are tenants ; in Maine, seven per cent ; in Connecticut, seventeen per cent ; and in New Hampshire, ten per cent. In the single state of Illinois there are nearly four times as many farm tenants as in all New England.[2] In Minnesota, the best and most prosperous counties show the largest actual and relative number of tenants. In the counties with the smallest ratio of mortgage foreclosures, the percentage of tenants is greatest; and relatively few tenants are found in counties where the ratio of mortgage foreclosures is large.[3] Probably no one would

[1] Rodney Welch, *The Forum*, vol. viii, 1889–90, p. 588.

[2] Abstract of Eleventh Census, p. 225.

[3] Fourth Biennial Report of Minnesota Labor Bureau, 1893–94, p. 68.

deny that the conditions are more favorable to agricultural success in the North Central than in the North Atlantic States. Yet in ten years, 1880–90, the number of farms cultivated by others than their owners increased twenty-three per cent in the former and but nine per cent in the latter.[1] During the same decade, the net gain in the number of rented farms in the New England States was but fifty-eight, and in each of four of these states the number was less at the end than at the beginning of the period.[2] The obvious explanation of this condition of affairs is that tenants naturally drift to the best farming sections, for it is in the best sections that farmers become prosperous enough to retire and lease their farms. The important fact to which attention is here directed is, then, that farm tenants are most numerous where the conditions are most favorable to their becoming farm owners.

Not only is it possible for tenants to rise to farm ownership, but there is positive evidence that this is just what is taking place at the present time. For example, in Minnesota one out of every nine farm tenants rises to ownership each year, and one out of every four of the most efficient. That is, of the 17,982 tenants in Minnesota, more than 2000 annually rise to ownership. Moreover, ninety-four per cent of those who have lost farms by mortgage foreclosures in that state have been able in a short time to regain their earlier condition as farm owners. In Minnesota, therefore, "the growth of tenancy . . . is part of a movement lifting a large number of people by slow and sure stages from small beginnings to independence on the farm."[3] Upon this subject President Beardshear of Iowa Agricultural College writes me as follows:

> I think there is quite a tendency among renters of Iowa farms to become owners of farms in the near future. Out of four renters under my supervision upon an Iowa farm in ten years, three of them became independent and purchased farms for themselves. Iowa Agricultural College has leased quite a number of thousands of acres of land in the last twenty years with condition that they could be

[1] Eleventh Census, volume on Agriculture, p. 116. [2] *Ibid.*

[3] Report of Minnesota Labor Bureau, 1893–94, pp. 67–69.

purchased at a nominal sum at the expiration of a certain number of years. A vast majority of these renters have purchased the land at the expiration of the leases.

The success with which tenants struggle for farm ownership may be roughly measured by comparison with the success of heirs in retaining ownership. Nearly every country community is rich with examples of individuals who have lost the farms they inherited. In the farm community where the writer once lived and with which he has been familiar all his life, the farms which descended to heirs have in the great majority of cases for one cause or another been transferred to new owners. Often the explanation is found in thriftless or bad habits. Frequently, however, embarkation in some line of business other than farming is responsible. With the record of this class of owners the industrial career of farm tenants compares favorably. While the statement cannot be made upon statistical authority, the percentage of farm tenants who fail of property ownership is probably not much greater than the proportion of financial wrecks among those who inherit farms. If this be admitted, it follows that the farm tenant is relatively not unduly handicapped in the race of life.

In conclusion, the subject of farm tenancy suggests two lines of thought:

1. It is probably true that farm hands do not rise through tenancy to ownership as frequently as they did forty or fifty years ago. Observation and reflection, however, lead the writer to the opinion that the main reason is not poverty, or the lack of opportunity, or a want of industry, but indulgence in a higher standard of living than is prudent for them. The single fact that wages of farm labor in a large part of the United States have almost doubled within half a century is in itself adequate proof of this.[1] In the economic thinking of recent times, the old doctrine of saving has largely been replaced by that of liberal expenditure.[2] Doubtless a truth that has heretofore been overlooked is thus brought to view

[1] Statistical Division, U. S. Department of Agriculture, Miscellaneous Series, Report No. 4, 1892, pp. 54–69.

[2] Gunton, Social Economics, pp. 78–80.

and put in its proper place. Nevertheless, that which was true in the old doctrine of saving still remains. Had society never laid by a portion of the product of its labor, it could never have emerged from barbarism.[1] "As far as the masses of the people are concerned, . . . the acquirement of moderate riches is at the price of much self-denial through life."[2]

In the average country community, the tendency of the farm hand to supply himself with a horse and buggy or a bicycle is probably as much responsible as any other one factor for the continuance of the class in a state of industrial dependence. Such expenditures not only absorb the earnings of the laborers, but soon lead them to give up their hope of becoming farm owners. Furthermore, competent observers of rural affairs declare that, compared with forty years ago, farm hands are a less capable body of men — that they are more deficient in business judgment and forethought, and especially in ambition to rise socially or to improve their economic condition. In every country community, moreover, there are a considerable number addicted to drink, who, were they carefully to husband their earnings, would not have to work any harder to become farm owners than they now do to add to the profits and prosperity of the saloon-keeper.

It is a noteworthy fact that farm ownership is less prevalent among those farmers who are natives of the United States than among those who are natives of any other country, Italy alone excepted.[3] This cannot be explained by supposing that those of foreign birth had the advantage of more ample means at the start. Facts to which attention has already been called render such an hypothesis impossible.[4] The only plausible explanation is that they have been more successful in practicing the economy necessary in order to become the owners of farms. It is, however, difficult to evade the conclusion that the tendency to a rise in the standard of living is an unfavorable condition which those who would rise to farm

[1] Francis A. Walker, Political Economy, pp. 61-66.

[2] G. K. Holmes, POLITICAL SCIENCE QUARTERLY, vol. viii, 1893, p. 598.

[3] Extra Census Bulletin, no. 98, p. 3.

[4] *Ante*, p. 613.

ownership have to overcome. The temptation to indulge present and newly developed tastes rather than to apply one's earnings to the purchase of a farm is thereby increased.

Everywhere we notice that the higher standards of living and of respectability are demanding more time in preparation for life and increased expenditure of income, are postponing the time of marriage and reducing the birth-rate, and, along with other results, are postponing, if not preventing, the ownership of homes.[1]

2. One cause that promoted the downfall of the English yeomen was the fact that land was, more than any other form of property of the time, a source of income, as well as of power and influence, to its possessor. In marked contrast with that condition of affairs is the fact that in modern society farm lands have to a great extent been displaced by other means of securing income, power and social prestige. "Investments in lands which are valuable for agriculture only, are not regarded with favor by capitalists. Better use for their money is found elsewhere." [2]

The banker, merchant, manufacturer and capitalist have become wealthier than the landowner. The moneyed classes have supplanted the landed classes in importance. The banker millionnaire is greater and more powerful than the ducal landlord. Land, the old source of centralized wealth, inordinate power, caste privileges and hereditary rights, no longer maintains its preëminent importance.[3]

These facts, in connection with the question we are considering, are full of significance. Indicating an absence of adequate motive for the wealthy classes to seek landed investments, they show that one of the most potent influences in promoting the development of landlordism is absent in the United States.

Mr. George K. Holmes, one of the special agents in charge of the volume of the eleventh census on real estate mortgages, in a personal letter of September 26, 1896, says:

I have been unable to find in the observation and experience of hundreds of census agents, who did work in all parts of the United States in collecting statistics of mortgages, that capitalists are seek-

[1] G. K. Holmes, *Quarterly Journal of Economics*, October, 1895, p. 45.
[2] Hugh McCulloch, Men and Measures of Half a Century, p. 525.
[3] Cook, Corporation Problem, p. 189.

ing investments in farms, except in so far as they lend money to farmers on farm mortgage securities. These lenders do not want the farms.

It is true that there is a tendency among the fashionable and wealthy classes in the cities to desire land for summer residences. It is unlikely, however, that this movement will ever seriously encroach upon the cultivated lands of the United States. Not only are large estates seldom in demand for such purposes, but, in general, land occupied by the summer residences of the rich is in the neighborhood of the ocean, the mountains or the Great Lakes, and is not suitable for agricultural purposes.

Our study in this section of farm debts, ownership and tenancy leads to two general conclusions:

1. The volume of mortgage debt is, in general, distributed according to the wealth, energy and enterprise of the people. Its burden upon farm lands has been increased by the marked decline of agricultural prices in recent years. This increased burden is reflected in the large number of mortgage foreclosures in states whose lands have declined in value, and in those sections where crop disaster has overtaken the agriculturist.

2. The increasing numbers of our population, the exhaustion of the desirable portion of the public domain, the prosperity of farm owners, the rise in the standard of living, and, in some sections, agricultural disaster — these are facts that largely explain the growth in the relative numbers of farm tenants. On the other hand, the fact that the majority of the tenants are found on the best lands, the positive evidence of their rise to ownership, the frequency with which those who inherit farms lose them, and the undesirableness of farm lands as an investment for the rich — these circumstances do not indicate that those who are now tenants are to continue in that condition, or that classes whose permanent relationship is to be that of tenants and landlords are in process of development.

V. Four Remedies for the Agricultural Depression Considered.

Before discussing several remedies proposed in the interest of the farmer, certain unfavorable conditions, which make it impossible to adjust supply to demand so as to render the business of the farmer continuously profitable, deserve consideration.

1. Foremost among these conditions is the vastly increased supply of farm products which, through the efficiency of modern methods, are put upon the market. Among the factors chiefly instrumental in effecting this result are improvements in transportation and communication.[1] By rendering the world's markets accessible to the products of the most remote corners of the earth, not only have they increased the forthcoming supply of such staples as breadstuffs and meats, but, by enlarging the variety of food products, they have contributed still further to the abundance of the food supply. Formerly,

> the food supply came only from the neighborhood, and was diversified only by the seasons. Now it is replenished from every zone. . . . The grocery store of Chicago and that of New Orleans, the market-places of London and those of Calcutta might change places in a night, without revealing any striking novelty to their patrons the next morning.[2]

In the presence of a harvest all the while ripening somewhere round the globe, a large surplus or a crop of unusual size in any country exerts a depressing influence upon the price level of the entire world.

Science and invention have also increased the food supply by utilizing what were formerly waste products. For example:

> Within a few years the city of Chicago produced more tons of artificial butter than any state of the Union could show of the genuine article.

[1] Cotton and oats illustrate this fact. During the ten years ending with 1895, the railway mileage of the United States increased forty per cent. During the same period, the annual *per capita* product of cotton averaged ten per cent more, and its price twenty per cent less than during the preceding ten years; while the *per capita* production of oats averaged seventeen per cent more, and its price 8.5 per cent less.

[2] Judge P. S. Grosscup, Commencement Address at Wittenberg College, *Chicago Inter-Ocean*, Friday, June 5, 1896.

Filled cheese has destroyed the foreign market, which was formerly so good, for the American dairy product, and so reduced the price of the unadulterated article as to make its manufacture quite unprofitable. The canning and cold storage of products which were until within a very recent period so perishable as to enter into the consumption only during brief periods of each year, and over limited areas, have transformed them into considerable ingredients of the world's supply of staple necessaries. Vegetables, fruits and fish have thus come into direct competition with grains and meats, thereby still further increasing the disparity between the demand and supply of agricultural foods. In this way the unused surplus of agricultural products and their equivalents is year by year swelled, to the manifest disadvantage of the producer, and to the apparent enhancement of the world's productive capacity.[1]

Nor is it probable that the increase in the supply of food products has yet reached its limit.

A scientific survey of the food-producing capacity of the earth, even with little, if any, enhancement of the present supply of labor, makes it evident that the present supply might be largely increased, possibly doubled, within the scope of existing lives.[2]

2. Concurrently with an increase in the supply of the products of the field, the progress of invention has tended in certain respects to curtail demand for them. Such animal products as tallow and grease, for example, have been largely displaced for lighting purposes by the mineral products, petroleum and coal. Red dye, once obtained from a vegetable, is now derived from the product of a mineral. Wood first gave way to coal for purposes of combustion, and then to iron and steel as materials for construction. The utilization of cottonseed oil in the production of lard and its substitution for tallow and grease in the manufacture of soap have unfavorably affected the prices of hogs and cattle. Cocoa oil has also come to be largely employed in making soap; and the large importation of this oil is at once the measure of the popularity of the soaps into which it enters, and of its own depressing influence upon

[1] Albion W. Tourgee, *The American Journal of Sociology*, July, 1896, p. 17.
[2] *Ibid.*, p. 16.

the prices of cattle and hogs, the by-products of which it displaces. One of the most striking examples, however, is the substitution of electricity for horses as the motive power in the street-railway service, thereby diminishing not only the value of horses, but also that of all kinds of feed and forage.

> It has been estimated that electric lines have already displaced no less than 275,000 horses. . . . At a moderate computation this number of horses would require about 125,000 bushels of corn or oats a day. A decrease of 125,000 bushels a day is equal to 45,000,000 bushels a year, enough to appreciably affect the prices of those grains.[1]

The bicycle has exerted a similar influence. Its worst effects have probably appeared in the horse and carriage trades, and allied businesses. "The practice of horseback riding is nearly extinct, and saddle horses are a drug in the market."[2]

3. The dependence of agricultural profits upon the uncertainty of the weather is another of the unfavorable conditions with which the farmer must contend. With the disastrous consequences of crop failure we are already familiar.[3] But nature frequently, though not as disastrously, interferes with the farmer's prospects by rewarding his labors with an over-abundant harvest. The corn crop of 1885, for example, though only slightly greater in area than that of 1887, was nearly 500,000,000 bushels greater in yield, while the aggregate money value was $20,000,000 less. Again, a large increase of acreage, accompanied by favorable weather for the growth of the crop, sometimes results in such an enormous yield as to deluge the market and kill the price. Thus, in 1889 favorable weather, in connection with an acreage 6,600,000 greater than in the following year, resulted in an unprecedented crop of some 650,000,000 more bushels than in 1890, but so flooded the market as to net the producers $150,000,000 less.[4] Further, for each of the four years preceding 1889 the acreage of oats

[1] *Public Opinion*, vol. xix, 1895, p. 412.
[2] J. B. Bishop, *The Forum*, August, 1896, p. 686.
[3] *Ante*, pp. 607–608.
[4] Report of Secretary of Agriculture, 1893, p. 478.

was less than for that year, and the yield also was considerably less; but the total value of the crop was invariably greater.[1] The acreage of cotton in 1891-92 was 2.3 per cent[2] less than in the preceding year, the yield 379,800 bales greater,[3] and the total money value of the crop $37,000,000 less.[4] The acreage in 1893-94 was only slightly in excess of that of 1892-93, yet the yield was 849,500 bales greater, while the aggregate value to the producer was $4,143,000 less.

4. The extent to which agriculture is carried on in modern industrial society, with the purpose of supplying the market, frequently results in production ill adjusted to existing conditions. The farmer expects to consume only a small part of the products of his labor, and to exchange the remainder for articles suited to his wants. Each agricultural producer, proceeding without an intelligent knowledge of what his fellows are doing, endeavors to create a maximum product. The result is that the wealth-producing energies of the farmer are not properly distributed, and the products of his labor are not adjusted in the proper proportion to the wants of society. Consequently, the producers of such food products as exist in relative over-abundance are injured in the process of exchange by receiving less than an economic equivalent for the product of their toil.

Four of the unfavorable conditions under which the business of the farmer is conducted have now been considered. To the extent that population multiplies under the stimulus of a bountiful food supply, the increasing abundance of farm products tends to correct itself. Any measure capable of promoting the *per capita* consuming power of the masses or of diverting energy now expended in food production to some more profitable field of employment would afford some relief. The curtailment of production through the development of a taste in the

[1] Report of Secretary of Agriculture, 1893, p. 483.

[2] Senate Report No. 986, 53d Congress, 3d Session, Committee on Agriculture and Forestry, on "Condition of Cotton Growers in the United States," *etc.*, part ii, p. 357.

[3] Report to the St. Louis Merchants' Exchange, 1894, p. 147.

[4] Cincinnati Chamber of Commerce Report, 1894, p. 174.

community for other than productive employment would also have a favorable influence. The unfriendly influence of climate can to a small extent be overcome by irrigation, or by the adoption of a system of agriculture better suited to climatic environment. By increasing the diffusion of information, so that the farmer may expend his energy with a better knowledge of what his fellows are doing, the evils of disproportionate production may be slightly diminished. But here the prospect of amelioration ends. Beyond what is involved in the above suggestions, it is probable that no remedy, legislative or other, can render the influence of these conditions less unfavorable to profitable crop-production. They are for the most part unalterable, and no discussion of any remedy proposed in the farmer's interest can proceed intelligently without holding them constantly in mind. They therefore mark the limit within which statesmen and others interested in the welfare of the farmer should confine their efforts. The recognition of such limitations may dampen the zeal of social enthusiasts; but, on the other hand, it will discourage them from advocating fanciful and impracticable schemes, and will save society from the economic loss arising from the unstable business conditions which these schemes create.

Proceeding now to the remedies that have been proposed for the difficulties of the agricultural class, we shall consider only four: namely, the free coinage of silver, a general property tax, an export bounty on agricultural staples and a greater development of thrift among the farmers.

1. *The free coinage of silver and the farmer.*—That the general range of prices for the products of the farm has greatly declined since 1873, no one will deny. There are those who, overlooking the influence of the forces to which attention has just been called, believe that the cause of this fall is the appreciation of gold. Whether or not gold has really appreciated (that is, become dearer in terms of commodities because of its scarcity) is beyond the scope of the present inquiry. Assuming that it has, let us consider to what extent changes in the prices of farm products during the past twenty-three years can be satisfactorily explained as a result of such appreciation.

The index numbers representing the weighted average price in gold of nine farm products — barley, corn, cotton, hemp, meats, oats, rye, tobacco, wheat — from 1873 to 1891 are as follows:[1]

1873	106	1883	102
1874	123.5	1884	100.8
1875	116.8	1885	87.9
1876	91.9	1886	87.5
1877	96.5	1887	89.6
1878	89.7	1888	93.6
1879	91.1	1889	86.5
1880	102.9	1890	93.7
1881	117.1	1891	98.4
1882	120.3		

Even a casual survey of these figures shows the utter futility of attributing the movement of farm prices to an appreciation of the monetary standard. Assuming that the lower level of 1891 as compared with 1873 is due to appreciation, it is clear that the higher levels of 1874, 1875, 1880, 1881 and 1882 cannot be thus explained. Still less adequate is the increasing value of the monetary standard to account for the fluctuations in price of any one farm commodity. Further, the index numbers indicate that the prices of tobacco, rye, meat and corn were higher in 1891 than in 1890, while the prices of barley, cotton and oats were lower.[2] In the presence of these facts, the theory that the change in the prices of farm products find any adequate explanation in the increasing value of gold breaks down hopelessly.

During the years since 1891 there has occurred from time to time a marked fall in the prices of farm products. Are we to believe that simultaneously in each instance there took place an increase in the value of gold? The farm price per bushel of the corn crop of 1895, for example, was thirty per cent less than the average annual price for the ten years preceding.[3] Is

[1] Senate Report on Wholesale Prices and Wages, part i, p. 11.
[2] Senate Report on Wholesale Prices and Wages, part i, p. 11.
[3] United States Department of Agriculture, Crop Report, December, 1895, p. 6.

the appreciation of gold, or a crop twenty-five per cent greater than the annual average for the preceding decade, the more plausible explanation? Was it the appreciation of gold that made the price of potatoes so low in 1895, or was it a crop which exceeded by nearly 90,000,000 bushels that of any year, with the single exception of 1891, during three decades?[1] The average farm price of wheat for the three years ending with 1894 was about thirty per cent less than for the three years ending with 1891.[2] Is the gold standard or an increase of 236,000,000 bushels in the annual average of the world's supply the more reasonable explanation?[3] Obviously, the fall of prices disclosed by such facts cannot be satisfactorily explained by an increase in the value of gold.

These downward movements in the prices of farm products were severe shocks to agricultural prosperity because they were sudden and unexpected. Compared with the gradual fall of prices that has occurred since 1873, they were relatively far more disastrous to farm interests. A rainfall of four inches distributed throughout twenty-four hours may do little or no damage; but the same precipitation within an hour carries in its wake disaster. What is to be said, then, of the assertion that, owing to a steady fall of prices, there has been no agricultural prosperity since 1873? The most obvious reply is that the statement, in this unqualified form, does not agree with the facts. During the years 1879–84 there was unusual agricultural prosperity, as a comparison of agricultural with general prices will clearly show.[4] A similar comparison shows that 1888–92 were years when farmers were enjoying fair times. This does not mean, of course, that there was an absence of grumbling, or that no one complained of hard times during either of these periods. Judged by this test, indeed, there has never been a time in our country's history when agricultural distress was not the rule and prosperity the exception.

[1] Report of Cincinnati Chamber of Commerce, 1895, p. 172.

[2] United States Department of Agriculture, *loc. cit.*, p. 6.

[3] Report of Cincinnati Chamber of Commerce, 1894, p. 57.

[4] Senate Report on Wholesale Prices and Wages, part i, pp. 11, 100.

It is most certainly a sudden rather than a steady fall of prices that entails disaster upon the farmer. As Professor J. B. Clark puts it:

> How does a slow and steady appreciation of any metallic currency affect the relations of business classes? Does it rob borrowers and enrich lenders? Does it favor the consumers by giving low prices and hurt producers in the same degree? Does it tax enterprise and paralyze the nerves of business? The answer is an emphatic No. Steadiness in the rate of appreciation of money is the salvation of business. . . . It is changes in the rate of inflation or of contraction that produce marked and damaging effects at the critical points of business life.[1]

Whether or not this view be accepted as sound, it will be well to bear in mind that fully seventy-five per cent of the mortgage debt in force January 1, 1890, was incurred within five years, and but 8.02 per cent before 1880.[2] Consequently, at any given time the increased burden from outstanding indebtedness because of the gold standard cannot be very considerable. These facts also render untenable the position of those who hold the gold standard accountable in part for the frequency and severity of panics and commercial depressions.

If the appreciation of gold is responsible for the present low ebb of agricultural prosperity, we should naturally expect the farmers of Canada, separated from those of the United States only by an imaginary line, to share in that opinion. That they feel quite keenly the stress of the present era of low prices does not admit of doubt; yet it is perfectly clear that they do not find the cause of their difficulties in the gold standard. A platform adopted at London, Ontario, September 22, 1891, by the Patrons of Industry of that province, contains declarations upon the public lands, civil service reform, economy in the administration of the government, railways, *etc.*, but has not a word to say about the currency. The editor of the *Farmer's Advocate and Home Magazine* of London, Ontario,

[1] POLITICAL SCIENCE QUARTERLY, June, 1896, p. 251.

[2] Eleventh Census, volume on Real-Estate Mortgages, p. 313.

wrote me May 2, 1896: "There has been no demand here for more currency, and beyond an article or so in the *Advocate* and some correspondence and editorial discussion in the *Globe* newspaper of Toronto, very little is said about bimetallism; it is not a live subject here at all." John W. Coppinger, United States Consul at Toronto, wrote on April 2, 1896: "There is no agitation here concerning the finances; people seem to be satisfied with their banking and currency system." Professor Goldwin Smith, in a personal letter of May 20, 1896, said: "No man of sense can imagine anything but mischief could be done by a derangement of the currency." Certainly the contrast between the farmers of the United States and those of Canada in their views upon the subject of currency could hardly be more striking. And the contrast is emphasized when we consider that "the difficulties surrounding agriculture are precisely the same in Canada as they are in the United States" [1]; and that the *per capita* circulation there is less than half what it is here.[2]

Having considered the most serious criticism urged against the gold standard, let us inquire how a law providing for the free and unlimited coinage of silver at the ratio of 16 to 1 would affect the interests of the farmer. That the immediate effect would be a precipitate passage to a silver standard hardly admits of a doubt. It is not a matter for surprise that, with nothing to check the force of the fall, the proposal to drop industrial interests abruptly to a silver standard should destroy the spirit of confidence, and cause the business world to look forward with dismay and terror to the readjustment of values which would follow. That the transition to this cheaper monetary standard would be accompanied by rising prices *in terms of silver* is a proposition from which no one is likely to dissent. Let us examine the effect of this movement by comparing the cases of two farmers, A and B. We will suppose each to have laid by a surplus of $1500 in cash five years ago, and that A

[1] Personal letter, April 13, 1896, from J. W. Dryden, Canadian Minister of Agriculture.

[2] Circular No. 123, revised edition, United States Treasury Department, July 1, 1896, pp. 26, 27.

invested that amount in farm land, while B loaned a like sum to an enterprising neighbor. Any proposal that would involve depriving A of twenty-five per cent or more of his real estate would be promptly denounced as dishonorable. It is difficult to see how a proposition which involves depriving B of a portion of his claim upon dollars can stand ethically upon any higher level. The force of the comparison is strengthened if the farmer who invested his money in realty selected farm land or city property that has since increased in value. On what ground, therefore, does the plea of social necessity select as its victim the man who has a claim upon dollars in preference to the one who has a claim upon realty? Moreover, seventy-two per cent of farm-owning families own subject to no mortgage incumbrance,[1] and of the remainder by far the greater number are able to pay their debts. Judged by immediate results, then, what is to be said of a measure that would disturb debit and credit relationships throughout industrial society for the benefit of the few?

But perhaps the free coinage of silver would usher in an era of prosperity such as would justify the immediate losses which it would inflict upon individuals and society. On the contrary, this is very improbable. The rise in prices would stop after the transition to the new standard was an accomplished fact. It is probable, therefore, that, after industry had experienced a cycle of abnormal activity, the debtor class would be larger and more heavily involved than at present; and, with few exceptions, the arguments now advanced in behalf of the free coinage of silver would apply with equal force in support of an irredeemable paper currency.

Supposing this danger to be escaped, what peculiar virtues does silver possess which entitle it to preference over gold as a monetary standard? The advocates of free coinage assert that since 1873 silver has maintained a more constant purchasing power over farm products than gold; and in proof of this proposition usually cite the downward movement of the price of silver in company with the prices of cotton and wheat.

[1] Abstract of Eleventh Census, p. 225.

Unfortunately for this theory, examples of a contradictory character are quite as numerous. During the four years ending with 1895, fifty per cent more silver was required to buy a hundred bushels of corn than during the four years ending with 1876; while seventy-five per cent more was needed to buy one hundred pounds of hogs. During the four years ending with 1895, seventy-five per cent more silver was necessary to buy one hundred pounds of cattle than during the four years ending with 1880; and fifty per cent more to buy a hundred pounds of tobacco or a ton of timothy hay.[1] Evidently the statement that silver possesses constant purchasing power with reference to farm products is an unwarranted generalization. It is true that the price of silver and the general average of prices for the principal products of the farm have both declined since 1873; but it is also true that a comparison of the four years ending in 1876 with the four years ending in 1895 shows the former to have declined about twice as much as the latter. The power to command the same quantity of farm commodities from time to time is therefore no more an attribute of silver than it is of gold. Furthermore, were it true that silver has been superior to gold in this respect during the past quarter of a century, what assurance is there that it would continue to be so during the next twenty-five years?

Lastly, would silver be a steadily depreciating standard? This is a difficult question to answer definitely. Admitting a depreciating standard of value to be desirable from the point of view of the farmer, it is consequently by no means certain that its advantages can be realized by the free coinage of silver. Moreover, in view of the analysis offered above of the appreciation of gold, what the farmer might hope to gain from a currency based upon a depreciating money metal is at best of doubtful importance.

This, then, is our principal conclusion: The independent, free and unlimited coinage of silver by the United States

[1] Cincinnati prices were used in making all these estimates. See Cincinnati Chamber of Commerce Report, 1895, pp. 114, 134, 150, 151, and United States Treasury Department Circular No. 123, July 1, 1896, p. 18.

at the ratio of sixteen to one will not promote the prosperity of the American farmer. Passing to a silver standard will only temporarily lighten the burden of mortgage debt resting upon farms. Those farmers whose debts are payable in gold would not even experience temporary relief. During the transition to the new standard, moreover, delinquent debtors would be more or less seriously embarrassed by the disposition of their creditors to enforce immediate payment. The rise of prices, by increasing the cost of living, would undoubtedly curtail for many years the consuming power of the wage-receiving class, and thereby lessen somewhat the demand for the products of the farm. That higher prices for his products, in terms of a cheaper monetary standard, can enable the farmer in the long run to command more of the material comforts of life than he would enjoy under the present standard is a proposition difficult to understand. Violent fluctuations in prices under a silver standard, whether due to over-production, commercial depressions or any other cause, would probably be no less frequent, and the losses thereby inflicted upon agricultural industry no less disastrous than at present. Steadiness of purchasing power is one of the marks of a sound monetary system, and there is no reason to believe that a currency based upon silver is superior for this purpose to one based upon gold.

2. *The general property tax and the farmer.* — There is no doubt that the system of taxation upon which the state governments and minor civil divisions at present depend for revenue is a source of injustice to the farmer. A century ago, when values were for the most part represented in real estate, when property was to only a slight degree differentiated, the general property tax was fairly equitable. At that time

there were comparatively few banks; there was not a single railroad company, and of course none of that mass of easily concealed property based on railroads, such as stocks and bonds; there was not a telegraph or telephone company, nor were there any traces of that property which consists of their evidences of indebtedness; there was not one gas company; there was not one street-car line; and the manufacturing corporations of our day had scarcely begun to exist.[1]

[1] Prof. R. T. Ely, Taxation in American States and Cities, pp. 139, 140.

The problem in taxation is to devise some way to make the owners of these new kinds of property pay their due share of the taxes.

That incorporeal values, such as bonds and notes, escape the burden of taxation is a notorious fact. As Professor Seligman points out:

From 1860 to 1880 the assessed valuation of real estate increased from 6,933 millions of dollars to 13,036 millions, while that of personal property decreased from 5,111 to 3,866 millions. In 1890 the assessed valuation of real estate had grown to 18,956, while that of personal property was 6,516 millions, — less than the figures of thirty years before.[1]

Between 1871 and 1893 the assessed value of real estate in New York increased 126 per cent, while that of personalty decreased nine per cent. That is, according to the returns of assessors, the owners of personal property in New York were $41,194,000 worse off in 1893 than in 1871.[2] In his report of January 20, 1891, the comptroller of New York state estimated that $2,500,000,000 of personal property in that state escaped taxation.[3] In 1893 ninety per cent of the taxes fell upon real estate, and but ten per cent upon personal property.[4] In no state, however, are inequalities in the burden of taxation upon real and personal property more glaring than in California. From 1867 to 1892 the percentage of personal property there declined from 47.17 per cent to 14.66 per cent of the total assessed for purposes of taxation.[5] Owing to the foregoing facts, the present system of taxation has been aptly characterized as follows:

Personal property nowhere bears its just proportion of the burdens; and it is precisely in those localities where its extent and importance are the greatest that its assessment is the least. The taxation of personal property is in inverse ratio to its quantity; the more it increases the less it pays.[6]

[1] Professor Seligman, Essays in Taxation, p. 27.
[2] *Ibid.*, p. 28.
[3] Report of Senator Peffer, Agricultural Depression, February 15, 1894, p. 56.
[4] Seligman, *op. cit.*, p. 28.
[5] Senator Peffer, *op. cit.*, p. 55.
[6] Seligman, *op. cit.*, p. 27.

Probably Chicago affords the most striking illustration of the hopeless inefficiency of the present system of taxation for securing from personal property contributions for public expenditure. In 1894, in Cook County, personal property paid but fourteen per cent of the taxes.[1] The twenty years intervening between 1873 and 1894 covered a period of extraordinary prosperity for Chicago. Its population increased fully 1,200,000 and its area 150 square miles, yet the assessed value of personal property advanced but $16,000,000.[2] Cincinnati, also, well illustrates the shortcomings of the general property tax so far as personalty is concerned.[3] In a special message of April 6, 1887 to the Ohio legislature upon the non-return of personal property for taxation, Governor Foraker used the following language:

> Personal property is valued all the way from full value down to nothing; in fact, the great majority of the personal property of the state is not returned, but entirely and fraudulently withheld from taxation.[4]

It is almost incredible that farmers have not been more emphatic in their protests against a system in the overthrow of which they are personally interested. The investments of farm communities are only to a small extent in the new forms of wealth, such as stocks and bonds, which so readily escape their contributions to the state. Furthermore, no small part of the personal property of the country is plainly visible to the tax collector's eyes.

> It is easy for the assessor in a country township to see the farmer's land and his horses and his cattle. In the towns and cities, however, personal property assumes other forms. No assessor knows or can know whether one man has money loaned on mortgage security in Kansas, or whether another man owns shares of stock in a New England railway company.[5]

[1] Seligman, *op. cit.*, p. 27.

[2] Chicago Board of Trade Report, 1894, p. 171; W. T. Stead, If Christ Came to Chicago, p. 211.

[3] Cincinnati Chamber of Commerce Report, 1894, p. 195.

[4] Ely, Taxation in American States and Cities, p. 155.

[5] Report of Ohio Tax Commission, 1893, p. 22.

Professor Seligman has expressed the same thought in the following language:

> The weight of taxation really rests on the farmer, because in the rural districts the assessors add the personalty, which is generally visible and tangible, to the realty, and impose the tax on both. . . . What is practically a real-property tax in the remainder of the state becomes a general property tax in the rural districts. The farmer bears not only his share, but also that of the other classes of society.[1]

According to the report of the Ohio Tax Commission for 1893, Preble County, an agricultural community having one village of about 3,000 inhabitants, one national bank with a capital of $50,000 and one savings and loan association, returned for taxation in 1890 nearly one-third as much personalty as Hamilton County, containing the city of Cincinnati, with a population of 296,000, banking capital of over $13,000,000 and bank deposits of $28,000,000, besides a large number of building and loan associations with deposits of $35,000,000.[2] The county of Muskingum, with a population about one-seventh that of Hamilton County, returns for taxation almost half as much in the shape of intangibles.[3] Lucas County, containing the flourishing city of Toledo and numbering twice the population of Muskingum, returns less than half as much personalty for taxation.[4] In the counties of Ohio containing the five principal cities, the percentage of personalty to the entire assessed valuation is but half what it is in the remaining counties of the state.[5] The report of the Ohio Tax Commission thus summarizes the situation:

> It must be perfectly apparent to any one . . . that, while in the country counties, where the assessor is personally acquainted with the circumstances of the taxpayer and knows his wealth, taxation of intangible property is perhaps feasible, it is in the city counties an utter failure. . . . It is the country counties which pay the taxes upon personal property.[6]

[1] Essays in Taxation, p. 32.
[2] Ohio Tax Commission, 1893, p. 28.
[3] *Ibid.*
[4] *Ibid.*, p. 29.
[5] *Ibid.*, p. 31.
[6] *Ibid.*

But the escape of personal property from taxation is not the only feature of the present taxing system that works injustice to the farmer. Relatively to other property his holdings in realty have frequently been assessed too high. The railways of Ohio, for example, were appraised in 1892 for only a little over twice as much as the horses of the state,[1] or for from twenty-five to thirty per cent of their real value as estimated by capitalizing their annual net earnings.[2] Any one acquainted with the assessment of Ohio farms need not be told that this is a most unjust discrimination against the agricultural interests of the state. During the fourteen years following 1878, many of the Ohio roads spent enormous sums in the improvement of their road-beds and in bettering their rolling stock, and there was a substantial increase in their annual net earnings during these years ; yet they were appraised for less at the end than at the beginning of the period.[3]

There is evidence, also, that the realty of the cities is not valued as highly for purposes of taxation as is that of the country. Of such inequality Chicago probably affords the most glaring example. During the twenty years from 1873 to 1893, population quadrupled and over $400,000,000 was expended in the construction of new buildings, while at the end of this period the assessed valuation of Chicago real estate was $116,000,000 less than at the beginning. That during these years the limits of Chicago were greatly extended, and that the increase of wealth in Cook County was mainly within the confines of that city, are facts familiar to every one ; yet, of the assessed valuation of Cook County realty in 1893 a larger percentage was in that part of the county outside of Chicago than twenty years before.[4] To be more specific, in Chicago seventy of the choicest business blocks, together with the ground they occupy, are appraised by the assessors at less than one-tenth of their value.[5]

During the past fifteen years, moreover, in a number of states the farmers have witnessed twenty-five to fifty per cent

[1] Ohio Tax Commission, 1893, p. 51.

[2] *Ibid.*, p. 56. [3] *Ibid.*, p. 52.

[4] Report of Illinois Bureau of Labor, 1894, p. 69.

[5] *Ibid.*, p. 79.

of the value of their farms disappear. Their incomes have correspondingly diminished; but taxes have continued unabated, in many instances being equivalent to twenty-five per cent of the net income.[1] The increase in the value of city real estate, in the periods intervening between valuations, has still further aggravated the inequality. Speaking of this subject, Governor Foraker, in his annual message of January 4, 1887, said:

> The last decennial appraisement of real estate was had at a period of great prosperity; it was a time of general high values; since then there has been a heavy decline; farm property is from twenty-five to fifty per cent cheaper to-day than it was then. The consequence is that farming lands of the state, where they have not been affected by the growth of cities or other development, are now taxed on the average more nearly at their full value than any other class of property. In fact the farm lands of some of the counties are taxed at even more than they could be sold for. But while this is true of the farm lands, the reverse is true of the real estate of many of the cities of the state where there has been growth and development, as in some portions of Cincinnati and in Cleveland, Toledo, Columbus and many other cities that might be named. The valuations placed upon the real estate of these cities in 1880 are in the aggregate fifty per cent of their present true value in money, and in some cases they will not exceed twenty-five per cent.[2]

The present system of taxation, furthermore, not only puts a premium upon perjury and renders honesty on the part of the taxpayer next to impossible, but it everywhere throws the burden of supporting the state upon those least able to bear it:

> The class of property that escapes taxation most is the class of property that pays the largest dividends. . . . Those who have to battle hardest with life for subsistence, are compelled to pay the most onerous taxes on the real value of their property.[3]
>
> The trusts, the corporations, the millionaires of Chicago pay taxes on less than one-tenth of the value of their enormous accumulations

[1] The fact that the annual net income of farm lands is frequently but two to four per cent renders this statement all the more significant.

[2] Ely, Taxation in American States and Cities, p. 151.

[3] Seligman, *op. cit.*, p. 33.

of wealth, while the small property-owners are being taxed on from one-half to one-third of the value of their humble possessions.[1]

An eminent financier has said:

> Land is less able to bear heavy taxes than almost any other kind of property.[2]

And again:

> I question very much that there are any farms outside of the prairies, and away from the large towns, which, if they were charged with the labor bestowed upon them, at the rate of $1.00 per day for men and fifty cents a day for women, and with other necessary outlays (their original cost not included) and credited with the market value of their productions, and their estimated present value, would exhibit a balance on the right side of the account.[3]

Certain it is that the great fortunes of modern times have not been won by the owners of the soil used to supply the world with food.

> The banker, merchant, manufacturer and capitalist have become wealthier than the landowner. . . . During the past thirty years, a still different source of wealth has sprung into existence. It has risen to first importance, and has created moneyed kings greater, stronger, richer even than the banker himself. A new financial era has been entered upon. Land, the old source of centralized wealth, . . . no longer maintains its preëminent importance. In its place has come the natural monopoly, and a new order of men are in control. Crassus and Crœsus were poor men compared with the modern Vanderbilts. A consolidated railroad has become greater than a dukedom.[4]

How to make the new forms of property that have come into existence in modern times contribute to public expenditure; how to make those industries that become more and more profitable with increase of population and social development, such as natural monopolies, bear the burden of taxation in proportion to their income — in short, how to secure equality of sacrifice in the payment of taxes, is the problem of taxation.

[1] Stead, If Christ Came to Chicago, p. 228.

[2] Hugh McCulloch, Men and Measures of Half a Century, p. 525.

[3] *Ibid.*, p. 523.

[4] Cook, Corporation Problem, p. 189.

It is strange, indeed, that the farmers have not directed the influence of their organizations more zealously toward the reconstruction of a tax system that is admittedly unjust and indefensible. The fact that a tax assessed upon the value of farm lands cannot be reflected in the price of farm products and shifted upon the consumer, renders this remark all the more pertinent.

> It is not true that the farmer can recoup himself for the taxes which he pays by adding the tax to the price of his potatoes, or wheat or other products. The price which he gets for the great bulk of the things grown upon his farm is fixed by causes which often have their roots in different lands and among different nations.[1]

In no other direction are efforts to promote the interest of the farmer, by means of legislative action, more likely to be fruitful of results than by a reform of the existing system of state taxation. It has been estimated that were the burden of taxation in Massachusetts equitably adjusted between real and personal property, the rate of taxation would be reduced from $15.00 to $8.44 on the $1000.[2] But for the extent to which the interest of the farmer has been absorbed in matters of national politics, to the exclusion of state and local affairs, it is probable that more of his energy and zeal would have been directed to the reform of the general property tax.

Space will not permit a consideration of various theories of taxation. For the purposes of this essay it is sufficient to have called attention to the existence of a problem, in the scientific and equitable solution of which the farmer probably has more to gain than any other class.

C. F. Emerick.

Columbia University.

[1] Ohio Tax Commission, 1893, p. 43.

[2] Report of Senator Peffer upon the Agricultural Depression, February 15, 1894, p. 56.